

**Testimony of Rhonda Boisvert, President
CT Association of Residential Care Homes
in support of
S.B. No. 978 AN ACT CONCERNING RESIDENTIAL CARE HOMES**

Senator Moore, Representative Abercrombie and members of the Committee, my name is Rhonda Boisvert and I am the President of the Connecticut Association of Residential Care Homes ("CARCH"). CARCH is the largest organization for licensed residential care homes ("RCHs") in the state representing a majority of the 101 homes.

I am here today to ask for your support of SB 978 AN ACT CONCERNING RESIDENTIAL CARE HOMES. This legislation is critical to the continuation of quality and cost effective services to the 2,100 state-assisted elderly and disabled individuals that reside in Connecticut RCHs. I am concerned that if SB 978 is not passed, SFY 2016 will see the loss of a number of well-qualified and experienced RCH owners due to facility sales and the turnover of our resident care workers will accelerate.

Individuals served by RCHs generally do not possess the capabilities to fully maintain shelter, proper nutrition and personal care without assistance. The services we provide to our residents, in conjunction with state mental health and elder care programs, reduce the need for costly hospital, psychiatric facility and nursing home care. The average state payment rate for an RCH approximates \$95.00 per day; however, after application of resident Social Security income toward to cost of service, the net state expense is less than \$75.00 per day per resident.

Most residential care homes struggle financially. Cost year 2013 information for 65 single-licensed RCH facilities (non-nursing facility associated), which comprise the bulk of our membership, indicates that a majority experienced losses and most of those with reported profits were essentially operating at a break-even level. While fuel oil costs have decreased recently, the associated savings to RCHs are generally more than offset by expenditure increases for utilities, insurance, property taxes, food and repairs/maintenance. In addition, the record snow and cold in February increased fuel use and plowing costs.

SB 978 is critical because it addresses two problems with current RCH rate-setting. First, it corrects several deficiencies in the rate formula that have an adverse impact on the financial viability of RCHs. Second, it provides a much needed staff retention and recruitment rate adjustment that will assist homes in their efforts to retain and attract quality personnel to serve residents.

Rate Formula Changes- Section 1 of the bill makes changes that are consistent with the discretionary RCH payment revisions that were adopted by the 2014 Session of the General Assembly (Public Act 14-217) for the SFY 2015 rate period. These changes include: **1) establishing a less stringent increase limit on allowable costs-** consistent with P.A. 14-217, the proposed bill establishes an inflation control floor of 5% to allow for reasonable changes in costs from year to year; **2) sets a minimum fair rent rate of return (ROR) of 5.0%-** the computed ROR for 2013 capital improvements was 2.5%, but DSS used its discretion under P.A. 14-217 and applied a 5% ROR. The ROR factors for 2011 and 2012 were 3.813%

and 2.313%, respectively, and the ROR has been below 5% since 2009- far below interest rates charged by financial institutions that lend to RCHs; 3) **new minimum payment for facility use-** the current minimum property use or fair rent allowance under the rate system is \$3.10 per resident day-- less than \$100 per month. The minimum was set for 1995 assets and has not been updated. The proposed bill increases the minimum allowance to \$5.10 per resident day (\$155.13 per month) effective for the rate period beginning July 1, 2015 based on approximate property value increases since 1995; and 4) **eliminates the ten year ROR adjustment-** under current regulations (Sec. 17-311-52(f)(2)(b) Regulations), the ROR percentage applied to an asset is re-set every ten years based on the average ROR for the previous five years. With recent low interest rates, this re-set provision has resulted in state reimbursement reductions to facilities. RCH owners are generally unable to refinance to take advantage of interest rate reductions; therefore, their debt costs remain the same but they face decreased reimbursement associated with facility assets.

SFY 2016 Staff Retention/Recruitment Adjustment- Due to RCH rate freezes between July 1, 2009 and June 30, 2012 and cost year to rate year inflation adjustments of less than 2% on an annual basis between July 1, 2012 and June 30, 2015 as well as property reimbursement reductions, **many RCH's have not been able to increase the wage rates paid to staff for several years or more. Section 2 of the bill establishes a SFY 2016 Staff Retention/Recruitment Adjustment.**

Cost report data for 2013 indicates that the average resident care worker hourly cost, inclusive of overtime, was \$14.13 with the range from a low of \$8.67 per hour and a high of \$20.88 (paid by non-profit multi-licensed organization). **Thirty-eight (38) RCHs had resident care worker costs of less than \$13.00 per hour inclusive of any overtime pay. It is not unusual for RCH workers to seek and qualify for assistance under government-funded food, energy and income supplement programs.**

Under SB 978, RCHs with hourly costs below the average of all RCHs would receive a wage increase rate adjustment for dietary, housekeeping, resident care, maintenance and other RCH positions. **Any facility accepting a retention and recruitment rate adjustment could only apply rate adjustment funding to eligible salaries and wages (owner and medical positions ineligible) and would be required to provide greater wage increases, on a percentage basis, to positions with lower wages than the percentage increases applied to higher salary and wage positions.**

The bill provides that DSS may require facilities to file cost reporting and wage and salary information, in addition to the annual cost report, as may be necessary, to verify the appropriate application of rate adjustment funding. The bill specifies that in the event that DSS determines that a facility did not apply rate adjustment funding in accordance with requirements, it must pursue recovery of such amounts from the facility through rate reductions or other payment recovery means.

Passage of SB 978 is important to the RCH component of Connecticut's social service safety net because it will: 1) improve staff retention and recruitment of quality personnel to serve RCH residents; 2) support the financial viability of RCHs to assure the continuation of cost-effective services; and 3) encourage and enable necessary capital investment in homes to enhance resident health, safety and quality of life.

Thank you for your time and consideration.

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